

January 13, 2005

Steven D. Eimert, Esq.
Sherin and Lodgen LLP
101 Federal Street
Boston, MA 02110

Re: Split Dollar Life Insurance.

Dear Mr. Eimert:

You have asked if a federal credit union (FCU) may use split dollar life insurance to fund employee benefit obligations. Based on your description of the arrangement, we have no legal objection.

You have described the split dollar arrangement as owned by the employee and paid for by the FCU. The FCU treats the split dollar arrangement as a nominal loan to the employee to conform to Internal Revenue Service regulations to obtain favorable tax treatment. You also have indicated the split dollar arrangement complies with §701.19 of NCUA's regulations regarding benefits for employees of FCUs; the attached Office of General Counsel opinion letters 03-0512 and 04-0453, dated February 27, 2004 and November 24, 2004, respectively, regarding funding employee benefits with life insurance; and general safety and soundness considerations.

Please contact Staff Attorney Frank Kressman with any additional questions or if we can be of further assistance.

Sincerely,

/s/

Sheila A. Albin
Associate General Counsel

GC/FSK:bhs
05-0117
Attachments